

# TOE.AU

## Toro Energy Limited

A\$ 0.073

27 June 2011  
 Uranium  
 Australia (WA, NT, SA), Namibia  
 BFS and Exploration  
 Exchanges: ASX:TOE

**With TOE's regional Wiluna (WA) resource base edging towards 40mlb, focus will now be on the BFS (due 4Q11) for this A\$260m, 2.2mlbpa project. Meanwhile, the Toro team has ambitions to create a much bigger company via exploration and acquisitions.**

### Capital Profile

Share price (A\$)	0.07
52 week range (A\$/share)	0.06 to 0.18
Number of shares (m)	965
Options and warrants (m)	20
Convertible notes (m)	0
Fully diluted (m)	985
Junket capitalisation (undiluted) (A\$m)	70.4
Debt (A\$m) - Jun 11F *	0.0
Enterprise value (A\$m)	70.4
Major shareholders: OZ Minerals Ltd (42.5%), ANZ Nominees (2.3%), HSBC Nominees (1.5%), Allarrow Pty Ltd (1.0%)	
Avg monthly volume (m)	23
Cash (A\$m) - Jun 11F	24.6
Price/Cash (x)	2.9
Price/Book (x)	0.7
Listed company options:	No

### Production and Financial Forecasts

YEAR END: June	Mar-11a	Jun-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	3.07	3.20	9.46	16.04	14.00
Corporate (A\$m)	0.22	0.70	3.51	2.84	3.20
Exploration/(Expl.+ Corporate) (%)	93	82	73	85	81
Funding duration at current burn (years)	9.8	6.3	4.2	1.3	0.5
Shares on issue (pr end) (m shares)	964.9	964.9	964.9	964.9	964.9
Drilling - RAB (m)	3,500	4,000	20,000	15,500	15,000
Drilling - RC/Sonic/Diamond (m)	2,000	2,000	15,500	11,500	8,000
Land holding ('000 ha) ^	4,690	4,690	4,225	4,690	4,690
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.0	0.0	60.6	0.0	0.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m) *	32.2	24.6	54.5	24.6	8.3
Cash backing (A\$/share)	3.3	2.6	5.6	2.8	1.0
Net asset backing (A\$/share)	11.7	11.2	12.5	12.3	13.2

\* Jun 11F cash assumes A\$4.5m Norilsk payment 2Q11. ^ Uranium tenements held or applied for

### Investment Points

- 100% uranium focus. Expl. + Eval. budget ~A\$20m pa.
- Cash ~A\$25m (Jun '11F) to fund Wiluna BFS, Wiluna resource expansion and exploration/acquisitions.
- Wiluna resource consolidation strategy has significantly enhanced Wiluna Project value; resource equity grown from 24mlb to nearly 40mlb U<sub>3</sub>O<sub>8</sub> at ~A\$1/lb cost.
- Wiluna BFS underway, draft EIS lodged, resource upgrade expected soon.
- Potential Wiluna production mid 2013: ~2.0mtpa ore, alkaline tank leach, A\$260m capex, ~2.2mlbpa output.
- Wiluna could be a pacesetter as the first of the WA calcrite projects underway.
- TOE has ambitious target of 100mlb resources by 2015. This means exploration and acquisitions are likely to play an increasing role in the medium term.
- Cashed-up OZL could bankroll Australian/overseas acquisitions to reach TOE's stated resource target.

### Company Comment

**Overview:** TOE listed on the ASX in March '06 and is a pacesetter in advancing calcrite style uranium projects in Australia. Wiluna is at BFS stage and could be WA's first new uranium producing project.

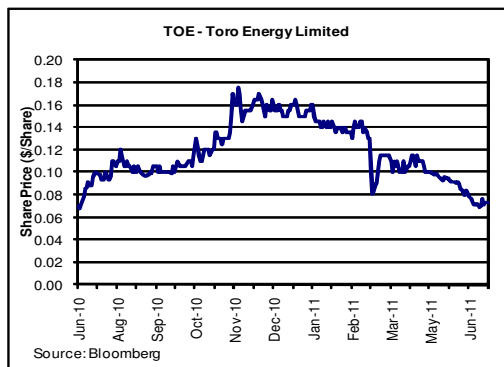
**Toro's Aspirational Targets:** TOE has ambitious growth targets: 100mlb U<sub>3</sub>O<sub>8</sub> resources by 2015 (currently 30mlb) and production of 5.5mlbpa by 2020. Meeting these will require TOE (supported by major shareholder Oz Minerals - ~A\$1.4bn cash) to look beyond the current core asset at Wiluna.

**Wiluna Regional Resource Consolidation:** We have previously highlighted the potential for TOE to increase its Wiluna resource base in a 40km radius of Wiluna, with strategic acquisitions/alliances. TOE has now achieved this to great affect. The acquisition of the Firestrike discovery in 4Q09 was the first step. Then came the purchase of 100% of the Dawson-Hinkler Well calcrite uranium project (20km W of Centipede) from U3O8 Ltd (ASX:UTO). The final key piece of the Wiluna jigsaw puzzle is about to be put in place with the imminent completion of the purchase of a uranium mineralised zone called Millipede, bordering TOE's Centipede deposit. The purchase consideration is pitched at a similar level (~A\$1.00/lb resource) to the Dawson-Hinkler Well acquisition. These acquisitions at ~A\$1/lb are very cheap by international benchmark standards. Our modelling suggest this regional consolidation could increase forecast Wiluna Project NPV by ~A\$25m (~2.6cps) if it provides an additional 5-6 year's mine life.

**Wiluna BFS:** A PFS was completed Sep '08, followed by Optimisation Study in Sep '09. The BFS, based on the original 24mlb, 550ppm resource, 2.2mlbpa production, 10 year mine life, is now underway. The Environmental Management Review Program/Draft EIS (a milestone for WA U projects) was lodged with the EPA (WA) in March 2011. This triggers the important public exhibition phase. Resource drilling is on-going to upgrade a large part of the resource from Indicated to Measured during 2H11. Recent deeper drilling at Lake Way has identified higher grade mineralisation (>1,000ppm) at around 10m depth, which is positive. Bench scale testing of the proposed agitated chloride alkaline leach followed by direct precipitation (avoiding solvent extraction) has yielded good results. A pilot plant test program will commence in Jun '11. The BFS should be completed in 4Q11, which could see a go-ahead decision and financing (possibly with a strategic partner) in 1H12, potential production in 2H13.

**Other Exploration:** Lake Mackay (WA): Theseus discovery is promising - potential buried palaeochannel - will need to wait until 3Q11 for drilling due to wet season. TOE has extensive U exploration portfolio in SA, NT, WA and Namibia (~43,000km<sup>2</sup>). Mount Woods (SA): TOE has 100% U rights for OZL's currently aggressive exploration for IOCGU targets - recent promising U-only hits.

**Investment Comment:** We think that TOE's ambitions in the uranium sector go beyond Wiluna, which is the company's first production project and a WA pacesetter. TOE's talented team, with possible support from cash rich major shareholder Oz Minerals, is likely to look to project acquisitions, as well as maintaining focus on its extensive exploration ground, to generate a much increased uranium market presence, and increased shareholder value. The Toro team really knows its way around the uranium market, and that could well be an increasing source of excitement, and upside, for Toro's shareholders in coming quarters, when we will also see the Wiluna BFS released.



### Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Uranium	Classification	Project	Ore	U <sub>3</sub> O <sub>8</sub>	Cut Off	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>	Eqty
U <sub>3</sub> O <sub>8</sub>		Equity	Mt	%	ppm	Kt	Mlb	Mlb
<b>Reserves</b>								
<b>Resources</b>								
Wiluna: L. Way & C'pede Meas Ind & Inf. 100% 20.2 0.0548 200 11.1 24.4 24.4								
Dawson-Hinkler Well Inferred 100% 9.50 0.0293 200 2.8 6.2 6.2								
<b>Total Resources</b> 29.70 0.0467 13.85 30.6 30.6								

**Mineralised Material** (est., non compliant with JORC)

<b>Total Mineralised (non JORC)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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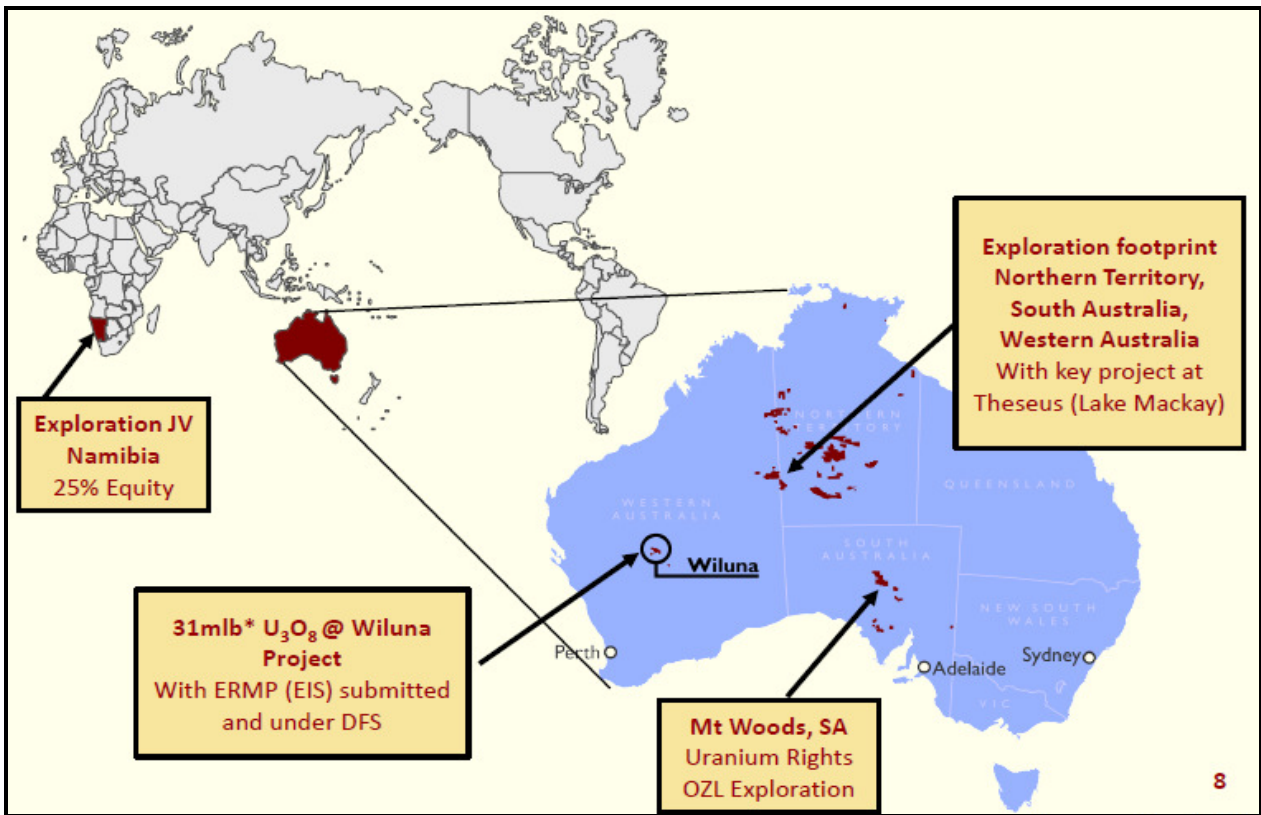
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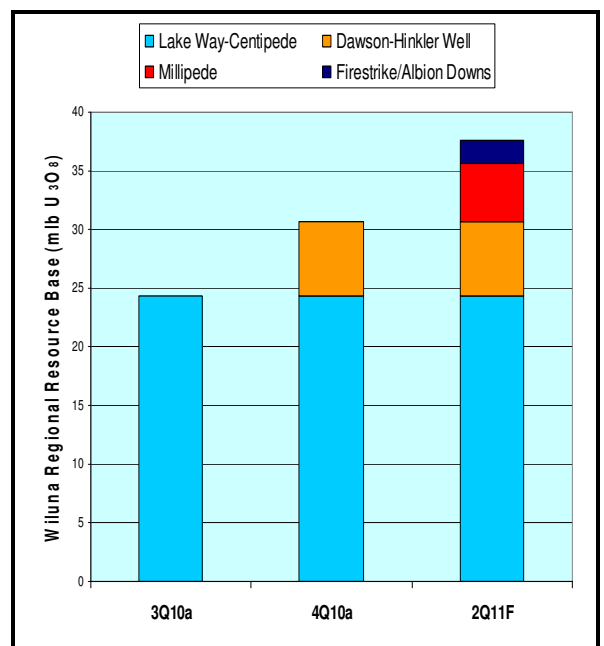
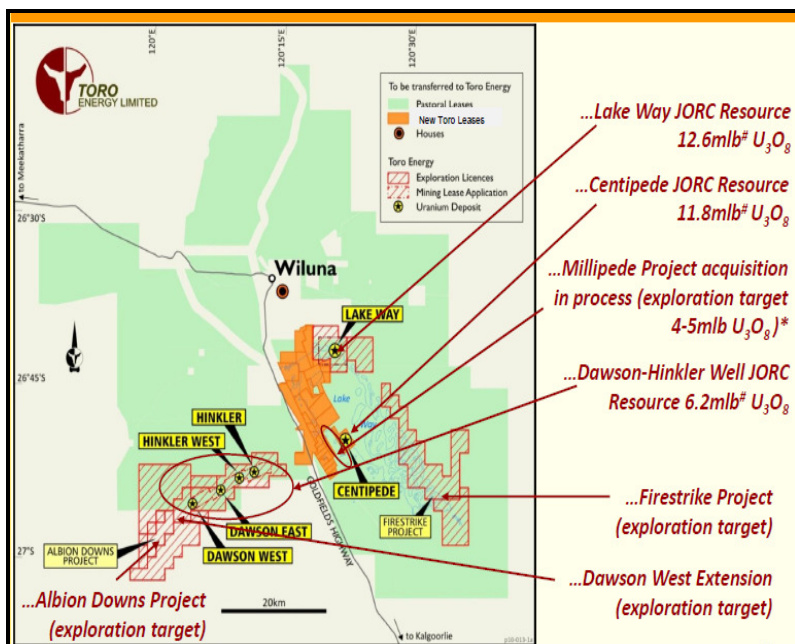
### Key Projects

Project	Ownership/ Option	Metal	JV / Partner	Target Type	Process Route	Project Status	Location
Wiluna	100%	U	none	Calcrite	Alk. Leach	BFS	Aus (WA)
Lake Mackay	100%	U	none	Palaeo/IOCG	na	Early Expl.	Aus (WA)
Namibia	25%	U	DYL	Calc/Alask	na	Early Expl.	Namibia
Mount Woods	100% U rights	U	OZL/MNT	IOCGU	na	Early Expl.	Aus (SA)
Birrindudu	50.01%	U	Cameco	Unc+S'stone	na	Early Expl.	Aus (SA)

Toro is expecting its strategic grass roots uranium exploration holdings in Northern Territory, South Australia, Western Australia and Namibia (JV with DYL) to play an important role in its ambitious plans to achieve a resource base of 100mlb contained  $U_3O_8$  by 2015.



Toro's value-enhancing strategy of building Wiluna into a significant uranium production hub over the past year has meant that the consolidated regional resource target is now approaching 40mlb (r.h.graph), a big increase from the 24mlb original Lake Way/Centipede resource. Additional resources have been acquired at a very cost effective ~A\$1/lb. This will give a significant boost to the Wiluna NPV and project viability.



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